

GOVERNMENT OF THE DISTRICT OF COLUMBIA
TAXICAB COMMISSION



Findings and Determination
District of Columbia Taxicab Commission
Petition for a Taxicab Fare Adjustment
and
Proposed Rulemakings

Proposed Rule to Adjust Taxicab Fares

Proposed Rule to Modernize Fleet

INTRODUCTION

The District of Columbia Taxicab Commission having heard the petition of the taxicab industry, the concerns of the riding public and representatives from the hospitality industry, has fully considered and determined the following proposed rate adjustments. This is but the first step in the Commission's work to move the District of Columbia's taxicab industry forward and toward its becoming a first class system and integral partner in the tourism industry in the District of Columbia.

BACKGROUND

On June 1, 2008, the District of Columbia (District) converted its taxicab fare system from a Zoned Fare System to a Time & Distance Meters Fare system. The discussions on this topic had spanned over twenty years resulting in only studies and promises. The citizens' fervent demand for a transparent taxicab fare system was finally realized with the adoption of section 105 of the 2005 District of Columbia Omnibus Authorization Act, approved October 16, 2006 (120 Stat. 2023 (also known as the Levin Law); D.C. Official Code § 50-381(a) (2009 Supp)), Mayor's Order, 2007-231, dated October 17, 2007 and Mayor's Order 2009-104, dated June 15, 2009.

The Mayoral directive to implement Time and Distance meters immediately impacted the way taxi operators would do business forever. The city oversaw the installation of time and distance meters in 5780 vehicles in 70 days and the establishment and licensure of twenty-one meter installation companies in 17 days. This was considered by the community to be an important step toward moving the District's public vehicle for hire system toward industry modernization. Many lessons have been learned during the three plus years since the conversion, some good news, and some challenges. One of those challenges is the on-going assertion by some drivers alleging a loss of 30% of their earned income during the post Zone fare period. The inability of the taxi industry or the Commission to confirm or dispel these assertions is magnified by the fact that the Taxicab Industry has always been a cash and carry business with little or no documentation of earned income. Additionally over the past three years we have heard consistent complaints from some drivers claiming an oversaturation of drivers and vehicles in the limited economic foot print of the District, however, there has also been a steadfast industry demand that the taxi operators system remain open to all who would want to become taxi drivers and owners.

Some of the complaints can be categorized as a continued resistance to change, some have been real claims of loss, but exaggerated, while others have been genuine economic facts. One of those facts is that the District has the lowest rate structure across the board in the Washington Metropolitan Area and it is to that end that the D C Taxicab Commission held a hearing on November 29, 2011 to hear a petition for taxicab fare adjustment and consider a proposed rulemaking from an industry representative. It is the Commission's responsibility and objective to come to a decision that is fair to all parties'- taxi operators, the consumer, and the hospitality and tourism industry and takes into consideration many of the mitigating factors and perceptions that confront the industry such as costs, oversaturation, quality of service in terms of both the operators and vehicles and the costs of doing business and living in the region.

A. Zone History

Under the zone system, the District was divided into eight zones. There was one rate for trips within the District's eight zones and a separate method for determining interstate fares. The zone rates were fixed, so the distance travelled within a zone or within the city was inconsequential. In the District you were charged according to the zones you traveled through. For example, if a

trip in Zone 1 with one passenger required the travel of two blocks or 15 blocks, the distance did not matter so long as the trip remained in Zone 1, the fare was \$6.50. However, if a trip crossed into or went through a different Zone, additional cost would incur without regard to distance traveled in that zone. Crossing into zones incurred an additional charge of approximately \$1.50 for each additional zone. Additional charges included \$1.50 for each passenger older than five who accompanied another passenger and \$1 for trips during the 7 to 9:30 a.m. or 4 to 6:30 p.m. rush hours. In addition, the zone system allowed for multiple passengers to be picked up at different points within a zone and if their destination did not take them out of the original zone, each passenger would be charged that zone rate separately. Also, the Zone system was notoriously difficult to understand for the average rider and tourists were purely at the mercy of the taxi operator. As of January 2006, the District was the only major city in the United States still under the zone system. See. <http://www.schallerconsult.com/taxi/fares1.htm>.

B. Meter System

On April 11, 2008 the zone system was replaced with the current meter system. See, DC Register Vol. 55 - No. 15 - Part 1 April 11 2008. The Mayor's Order delegated the then Chairman of the D.C. Taxicab Commission with a directive to immediately implement the new time and distance metered taxicab system for the District. See Mayor's Order 2007-231. The proceedings leading up to the current proposed rate adjustment included a Public Hearing which was held 10:00 a.m., Tuesday, November 29, 2011 at 441 4th Street, N.W., at the Old Council Chambers. The Public Hearing consisted of two phases. The first phase included group presentations from parties seeking a fare increase and other parties with a vested interest in the decision – consumer group and hospitality industry representatives. The second phase allowed individuals to express their thoughts on the presentations and raised other issues.

Under the meter system, the fares are determined by time and distance. The current meter rates consist of an initial \$3.00 flag drop rate and first one-sixth (1/6) of a mile; .25 cent for every 1/6 of a mile after the first sixth of a mile traveled; the wait rate is \$15.00; the rate per mile is \$1.50 (\$15/60minutes=.25 cent/minute). In addition, there are various surcharges including, each additional passenger is \$1.50, .50 cent per bag handled, \$1 fuel surcharge, \$2 dispatch surcharge, and snow surcharge. Notwithstanding these rates and surcharges, compared to the local

jurisdictions, the District has the lowest rate per mile (\$1.50); the lowest wait time (\$15.00), and one of the lowest standard fares in the country – charging an estimated \$11.50 for a distance of five miles with five minutes wait time. See April 4, 2011 Chicago Dispatcher Study of taxicab fares throughout the United States. The adjacent link is a copy of the complete study.

<http://chicagodispatcher.com/how-does-your-city-fare-p1381-1.htm>. In addition, the Study shows that the District has the highest number of cabs per capita (per one thousand people) amongst the major cities.

RATE MAKING AUTHORITY

The Chairperson of the District of Columbia Taxicab Commission, pursuant to the authority set forth in section 6(a) and (d) of the District of Columbia Taxicab Commission Establishment Act of 1985, effective March 25, 1986 (D.C. Law 6-97; D.C. Official Code § 50-305(a) and (d)) (2009 Repl.); section 105 of the 2005 District of Columbia Omnibus Authorization Act, approved October 16, 2006 (120 Stat. 2023; D.C. Official Code § 50-381(a) (2011 Supp.)); Mayor's Order 2007-231, dated October 17, 2007; Mayor's Order 2009-104, dated June 15, 2009, and Mayor's Order 2011-116, dated July 11, 2011) was delegated the Mayor's authority to review and adjust rates.

The Commission has made every attempt to (a) Consider the rates of taximeter systems in surrounding jurisdictions, the cost of operating a taximeter system, and the public use of the taximeter system in the District; and (b) Balance equitably the interest of owners and operators of taxicabs, taxicab companies and associations, and dispatch services in procuring a reasonable rate of return on investment and adequate compensation for labor provided against the public interest in maintaining a taximeter system which is affordable and accessible to a broad cross section of the public.

PUBLIC HEARING

The Public Hearing was held 10:00 a.m., Tuesday, November 29, 2011 at 441 4th Street, N.W., at the Old Council Chambers. The purpose of the Public Hearing was to elicit factual information concerning the rate increase that will allow the Taxicab Commission to arrive at an evidentiary decision on the question of whether there should be an adjustment in the taxicab fare rate and if

so, what adjustment. The Public Hearing consisted of two phases. The first phase included group presentations from parties seeking a fare increase and other parties with a vested interest in the decision – consumer group and hospitality industry representatives. The second phase allowed individuals to express their thoughts on the presentations and raised other issues.

Phase I Participants included:

1. Nicholas A. Maxwell – representing a group of independent owners [Exhibit #1]
2. Roy D. Spooner – representing Yellow Cab Company of D.C. [Exhibit 2]
3. Nathan Price – representing D.C. Professional Taxicab Drivers Association
4. Negede Abebe – representing Small Business Association of D.C. Taxicab Driver [Exhibit 4]
5. Solomon Keene, Jr. – representing the Hotel Association of Washington, D.C.
6. Lynne Breaux – representing the Restaurant Association Metropolitan Washington [Exhibit 5]
7. Alex Block – representing the Downtown BID [Exhibit 6]
8. Margaret Singleton – representing DC Chamber of Commerce [Exhibit 7]

Each Participant was given the time they requested to make presentations on the specific subject and engage in questions and answers with the Chairman and Commissioners.

Phase II Participants included:

Seyed H. Sharghazadi, driver

Jack Jacobson, consumer advocate [Exhibit 8]

Carolyn Robinson, driver

Abebe Abadi, driver

Donna Burney, driver [Exhibit 9 and Exhibit 12]

Peter Harman, driver

Laurence Benenson, Esq., attorney for drivers' organization [Exhibit 10]

John H. Johnson, IV (written testimony only) [Exhibit 11]

Philip Lebet (written testimony only) [Exhibit 13]

Each participant had 5 minutes to present their views and make comments on the subject generally, or any specific item they heard in phase I.

The hearing was attended by more than 130 people with the majority in attendance being taxi operators. The drivers were overwhelmingly in support of a rate increase, though they had some disagreement on the amount. They also sought to retain the additional fees and surcharges they have become accustomed to. Drivers relayed their struggles to make a fair wage because of the low fare rate and steep competition because of the saturation of legal (and illegal) taxis in the District. None asked for an increase in the flag drop rate while Mr. Maxwell proposed a reduction to \$2.75.

A. Summary of Drivers Concerns – Loss of Income and Opportunity

During the Public Hearing, many of the drivers testified that they suffered a decline in income following the 2008 implementation of meters. In addition, since the meters, there has been no fare increase with the exception of the \$1.00 fuel charge. Drivers' pleadings fell into the category to raise the rates to what is comparable in the area. Others ask to recoup the deduction of earnings from zone to meter. Nicholas Maxwell representing independent owners, Roy Spooner representing Yellow Cab Co., Nathan Price representing D.C. Professional Taxicab Drivers Assoc., and Negede Abebe representing the Small Business Assoc. of D.C. Taxicab Drivers, all testified that current rates are less than the rates for the same services prior to the meter conversion. Further testimony expressed complaints about the District having the lowest rates in the region and one of the lowest in the nation. They also testified that the cost of living in the District is one of the highest in the nation. Spooner presented testimony that drivers lost approximately 25% income because of the rate reductions and that in the past three years all regional jurisdictions received rate increases. Abebe specifically testified about additional losses to drivers not measured in dollars, i.e., time away from family because drivers must work more to compensate for low earnings, 90% of the drivers have no health insurance. The driver representatives, except Mr. Maxwell, opposed the elimination of the various fees and surcharges but proposed a mileage rate increase of \$2.00. Maxwell alone proposed a mileage rate increase of \$2.75. Also, during the hearing the written testimony of Dr. John H. Johnson, VI, of Edgeworth Economics, was entered into the record in support of a rate increase. Dr. Johnson's analysis is a comparative study of fare rates between local jurisdictions, including:

Prince George's County, MD, Arlington, VA, Fairfax, VA, Alexandria, VA, Baltimore, MD, Montgomery County, MD, Bethesda, MD, and Charlottesville, VA and other public transportation costs in the area.

B. Summary of Hospitality/Restaurant Industry/Consumers concerns - Lack of Quality Service

At the Public Hearing, business leaders also testified. Solomon Keene, Jr. representing the Hotel Assoc. of Washington, D.C. and Lynne Breau representing the Restaurant Assoc. Metropolitan Washington, Alex Block representing Downtown Business Improvement Development and Margaret Singleton, representing D.C. Chamber of Commerce testified collectively and primarily about requirements to modernize taxicab fleets with service upgrades including credit card machines installed in each cab and more fuel-efficient standards for cabs. Also, the Commission received testimony from Jack Jacobson, spokesperson for DC Taxi Watch – a consumer base group representing the customer's voice. Mr. Jacobson favors elimination of surcharges, installation of credit card machines, and a request to make taxicabs more fuel-efficient.

C. Summary of Stakeholders Point and Objectives

The stakeholders at large consist of the following representatives, Maxwell, Spooner, Jacobson and the aforementioned business leaders in their respective capacities. As a result of the November 29, 2011 Public Hearing on Rate Increase the following issues were expressed to the Commission. Maxwell proposed an increase in rate mileage from \$1.50 to \$2.75 per mile, with a flag drop rate of \$2.75, and to eliminate most surcharges. The Maxwell study suggested that a DC taxicab driver needs to earn a gross of \$25.95 per hour before expenses. The Maxwell study also found that given 2.33 trips taken per hour a target price of \$11.14 per trip is needed to meet the goal of \$25.95/hour. To meet the hourly amount, Maxwell proposed that a rate adjustment is necessary regarding the drop rate of \$2.75, wait time rate of \$25.00 per hour, and rate per mile of \$2.75. Spooner proposes that the drop rate remain the same \$3.00, wait time rate of \$25.00 per hour and rate per mile of \$2.00. Business leaders and Jacobson propose that if a rate adjustment is implemented the Commission couple it with improvements in service, i.e., installation of

credit card machines and requirement of more fuel-efficient standards for cabs and elimination of older vehicles.

DISCUSSION/JUSTIFICATION

When evaluating the adequacy of a fair and equitable rate adjustment, the Commission considered the following four factors: drop rate charge, wait time, mileage rate, and surcharges. The Commission performed an analysis of the average cost of a trip under the current Meter System, the former Zone Fare System and the Proposed Meter Fare. The Commission converted the trip information to an estimated hourly income. The documentation of trip information was limited requiring the use of empirical assumptions. In the Commission's view it will take significant time to develop accurate data in sufficient volume to make a more reasoned determination.

The Commission used the following metrics in the analysis (see Appendix A):

Zone Fare Trips (All eight zones)

- Zone Rates¹: (1) \$6.50, (2) \$8.80, (3) \$11.00, (4) \$12.60, (5) \$14.00, (6) \$15.50, (7) \$17.80, (8) \$18.90
- Wait Time: \$.40 per minute
- Rush Hour Surcharge: \$1.00
- Additional Passenger: \$1.50
- Each zone is approximately two miles²
- The Propose meter rates are higher than the current meter rates

Current Meter Fare Trips (Up to five miles)

- Drop Rate: \$3.00 for the first one-sixth (1/6) of a mile, (.25 cent for every 1/6 of a mile after the first sixth of a mile traveled)
- Each Additional Mile: \$1.50
- Wait Time: \$15.00 per hour or \$.25 per minute
- Additional Passenger: \$1.50
- The average length of a trip is approximately two and one-half miles

¹ Zone Fare Map: http://dctaxi.dc.gov/dctaxi/lib/dctaxi/Taxicab_Zone_Map2.pdf

² Based on estimate: <http://maps.google.com/maps/ms?ie=UTF8&hl=en&om=1&z=11&msid=104406116933360209099.00000111de784d41adc80&msa=0>

Proposed Meter Fare Trips (Up to five miles)

- Drop Rate: \$3.00 for the first one-eighth (1/8) of a mile, (.27 cent for every 1/8 of a mile after the first-eighth of a mile traveled)
- Additional Mile: \$2.16
- Wait Time: \$25.00 per hour or \$.42 per minute
- The average length of a trip is approximately two and one-half miles

Based upon the metrics above, the assumption that drivers make 2.33 trips per hour, and operating expenses of \$7.17 per hour (Maxwell, “The Experiment” Analysis), the analysis yielded the following results:

Comparison of Zone Fare and Meter Fare (see Appendix B)

- On average trip lengths of two and one-half miles or less, drivers saw an approximate twenty-one percent decrease in earnings per hour after the switch from zone fare to meter.
- However, income increased significantly for trips of 4 or more miles under the meter system (see Appendix C).

Comparison of Current Meter Fare and Proposed Meter Fare (see Appendix C)

- The proposed meter adjustments would bring drivers closer to the zone fares earned under the previous system for trips of two and one-half miles or less.
- On an average two and one-half mile trip customers would pay approximately \$1.28 more under the new proposed meter rate system over the current.
- For trips of five miles or less, customers would pay approximately \$1.84 more on average.
- For trips of three miles or more the driver will earn significantly more income.

Summary of Analysis

- Based upon the overall analysis, the proposed meter fare adjustment would improve drivers’ revenue while not adversely affecting the riding public.
- The average trip length for the District customer is two and one-half miles.
- Most of the income loss obtained by drivers is on the trips of two and one-half miles or less; the new rates would bring drivers closer to the zone fares earned for these trips.
- There is a slight increase in cost for customers of approximately \$1.28 for short trips of two and one-half miles or less.
- However, the burden is now placed on trips of five miles or more where the drivers have reduced opportunity of return fares.

Please Note: Each Appendix Are Estimates and Based On Assumptions Using Current Rate Information.

The Commission is aware of the drivers' claims of reduction of loss of earnings. No exact determination regarding the loss of earnings as a result of switch from zone to meters can be made at this time due to insufficient and inadequate documentation. Documentation in support of loss of earnings under the zone system is particularly difficult to locate and come by. The limited documentation that was available to the Commission reflected an estimated rate loss between 20 to 30%. Under the zone system, drivers could transport multiple passengers at one time and each passenger was responsible for the appropriate zone rate. It was impossible to determine the average number of passengers in a cab with sparse to no documentation found. Thus, trying to determine what revenue was received was nearly impossible.

The Commission reviewed the analysis done by Edgeworth Economics, which was entered into the record. The Commission appreciates Dr. Johnson's comparison of fare rates from surrounding jurisdictions, but notes that the analysis failed to consider the following salient factors, including but not limited to: the report did not provide any discussion of rate charge per mile; it did not state how the computations in the report were arrived at; it did not explain how the rates quoted in the report were arrived at; the report failed to provide how the comparability of the local regions was developed. In essence, the report was only a simple comparative analysis. In addition, its comparative analysis failed to recognize the geographical differences and population density. Geographically, Washington, D.C. is approximately 13 miles from the most southern point to the most northern point. Within that 13 miles is the seat of the federal government- legislative, judicial, and executive branches, the seat of the District of Columbia government, tourist attractions such as the Smithsonian museums, memorials, the mall, Capitol Hill, and White House to name a few. Many of the cab rides in the District consist of short rides, generally between 2.5 miles to 5 miles on average as discussed more fully in the Maxwell report. The regional jurisdictions highlighted in Dr. Johnson's comparability report, unlike the District, do not have the same or similar federal and local government and national museums coexisting within a 13 mile radius. Moreover, given that the District is approximately 13 miles from the northern most point to the southern most point, most of the riders engage in short trips within the District. The greater number of trips in the District are less than 5 miles but greater than 2.5 miles. A long distance trip by a D.C. taxicab outside the District boundaries, usually 10 miles or more, normally includes a one-way passenger. The likelihood of a District taxicab

driver transporting a passenger from a downtown origin or from Union Station to Silver Spring, Maryland or even upper northwest, and then returning with another fare is unlikely. The long distance one-way trip with no return fare often reduces a driver's opportunity costs (the earnings from an alternative fare that must be forgone in order to pursue a current fare). In other words, when a driver has to pass up two short trips in the same time period it takes to make a one-way long distant trip, his income is adversely impacted for the day. As such, long distance trips of 10 miles or more one-way can seriously diminish a driver's earnings. In view of the District's geographical layout and population density, there is a higher propensity that drivers will make more short trips than long trips in a day.

In consideration of these factors, the Commission proposes an adjustment in the mileage rate from 1/6 per mile to 1/8 per mile. See Appendix A and D. This proposed rate allows shorter rides in the District to be more favorable, fair and equitable to D.C. taxicab drivers. In addition, the Commission will retain the following surcharges: the delivery service rate; the applicable airport surcharge; taxicab hourly (tour) rate is retained; and the telephone dispatch fee is retained. The Commission will eliminate the following surcharges: all luggage, including trunk, fees; personal service fee; all animal fees; all additional passenger fees; and the emergency fuel surcharge. The elimination of certain surcharges will offset the drivers anticipated loss with the proposed increase in wait time and mileage rate. Based upon regional wait times the District of Columbia now has a far too low wait time. The Commission believes that a fair and equitable increase in wait time is necessary to remain competitive with local fares. The drop rate charge will remain the same.

The Commission's evaluation and determination of a rate adjustment is based upon a short term study among current taxicab owners and independent owner operators of taxicabs. The Commission will shortly begin an expansive study that will include detailed research of local and national taxicab fares and developments in fleet modernization.

INDUSTRY IMPROVEMENTS

Industry improvements are a must and will be phased in over the next few months. The Commission starts here with modernization of the taxicab fleet in the District by gradually removing older high mileage vehicles from service. The Commission will be seeking

environmentally friendly and fuel efficient green taxicabs. In addition, the quality of the District's taxi operator education, professionalism and customer service skills and knowledge must be improved immediately. The Commission is also committed to improving Hack Inspectors performance standards. Hack Inspectors will receive additional training and education in both the regulations they enforce and community interaction and mediation skills, all in an effort to provide stronger enforcement of the taxicab regulations.

Next month the Commission will begin the process in moving the DC Taxicab Commission industry to a cash free state of the art meter system. This system is targeted to be completely operational by fall 2012 and will allow credit/debit cards, pin use for charging fares and a GPS system to track travel route and provide driver verification and advance safety features for drivers and passengers in addition to other user friendly attributes. This is the start of the Commission's review and consideration of rate issues and taxi industry development, the Commission will continue to move the industry forward in the coming months and years.

FINDINGS

Having heard the petitions of the taxicab industry, the concerns of the riding public and the hospitality industry, the Commission finds as follow:

- District of Columbia taxicab operators have not received a rate adjustment since 2008, except the fuel surcharge of \$1.00 per trip.
- A reasonable fare adjustment will make the District's fares more on par with the fares of surrounding jurisdictions, creating a higher average fare for operators, but not price out the city's least economically strong citizens.
- There is a lack of verifiable data on the true full cost of operating a taxi in the District of Columbia
- There is a lack of verifiable data on the annual income derived by taxi operators
- Taxi operators experienced some economic loss in the conversion from the zone system to the metered system; however, there is a lack of verifiable data on the level of that economic loss but it appears to be between twenty and thirty percent.

- The District's taxicab fleet needs to be modernized systematically and significantly, specifically with the development of a cash free payment system.
- Extra charges are not a significant source of income and are offset by the mileage increase.
- Long distance trips must result in higher fares
- The current wait time is unfair in a city with the District's traffic congestion.
- An increase in the mileage rate is the most direct way to make a positive impact on driver income

COMMISSION DECISION

After having heard all of the evidence, reviewed all of the submissions and recommendations from the industry participants, riding public and hospitality industry representatives, the Commission now moves to approve the following adjustments to the taxi fare structure in the District of Columbia and require the following industry improvements.

Fare Adjustment

The drop rate will remain \$3.00.

The "additional mile" rate will increase to \$.27 per 1/8 mile or \$2.16 per mile.

The wait time rate is increased to \$25 per hour.

Telephone dispatch fee is retained.

Dismissal of a taxicab without use fee is eliminated.

All luggage, include trunk, fees are eliminated.

Personal service fee is eliminated.

Delivery Service rate is retained.

All animal fees are eliminated.

Any applicable airport surcharge application is retained.

Taxicab hourly (tour) rate is retained.

All additional passenger fees are eliminated.

Emergency Fuel surcharge is eliminated.

The snow emergency rate of 125% is eliminated [Disable the Rate 3 button] and replaced with a Snow Emergency Premium flat fee of an additional \$10 per trip (trips within the District) or \$20 per trip (trips going outside the District) on any single destination/trip during a declared Snow Emergency.

Modernization of the taxicab fleet

By a date certain, no vehicle that is more than **five (5) model** years old (or that has accumulated mileage in excess of three hundred thousand miles (300,000 mi.) may be placed into service as a taxicab in the District of Columbia, whether owned, rented, or leased.

Further, by a date certain, no vehicle that is **no more than seven (7) model years old** (or that has accumulated mileage in excess of four hundred thousand miles (400,000 mi.) may remain in service as a taxicab in the District of Columbia, whether owned, rented, or leased.

Effective immediately, **no salvaged vehicle** may be placed into service as a taxicab in the District of Columbia.

District of Columbia Taxicab Commission

Ron M. Linton, Chairman

Date: December _____, 2011

Please note the Petition for a Taxicab Fare Adjustment, Appendices and Exhibits will be posted on the DCTC website.